STATEMENT OF C. WILLIAM VERITY, JR., PRESIDENT, ARMCO STEEL CORPORATION

My name is William Verity. I am president of Armco Steel Corporation. I welcome this opportunity to make my statement a part of the record of your hearings on the President's proposals to deal with the current balance of payments problem.

Armco is a basic steel producer with headquarters in Middletown, Ohio. Our company employs approximately 40,000 people in its steelmaking, fabricating and manufacturing operations in 25 states. Of special relevance to these hearings is the fact that Armco has been active in international commerce since 1912—probably the most active of any domestic steel producer in foreign trade. We now carry on extensive business activities through 28 foreign subsidiaries in 18 counties in the free world . . . with 7,000 more employees on foreign soil.

Because of these overseas business activities, we have a very direct interest in these hearings and in any legislation that might result. But we have an even more basic reason for expressing our opinion to the distinguished members of the House Ways and Means Committee.

We believe our entire economy is seriously threatened by the fiscal policies that have led to our current balance of payments crisis . . . we also believe a great many Americans are now looking to this committee and its courageous chairman for fiscal leadership and national economic common sense.

As much as we share the President's dreams for abolishing poverty, putting an American on the moon, rebuilding cities, controlling crime, we don't believe we can do all of the things he wants to do at home at a time when we are engaged in a major, costly war. We believe the time has come when our nation must face up to this fact and establish some realistic and prudent priorities.

We believe the "medicine" which the President has prescribed for our imbalance of payments offers only a temporary, stopgap treatment of the symptoms and does not attack the basic cause of our economic disease.

We have noted and have been greatly encouraged by the reservations expressed by members of this committee regarding proposals which are of such grave importance to all of us.

We too have grave misgivings regarding the wisdom of the program, and we appreciate the opportunity to outline a few of our serious objections to what we feel is a short-term approach which will beget more serious long-term problems.

We feel that our experience as a company whose interests abroad span a period of some fifty-five years throws important light on the inherent serious dangers of the proposed program.

We started overseas business with the export of certain of our products to other countries. We later launched a marketing program that added the products of a number of other American manufacturers whom we represented in countries around the world. For example, since the mid-1930's we have served as agents for and sold the welding products of Lincoln Electric Co. of Cleveland, Ohio in markets around the world.

As time went by and market conditions changed, we began to also fabricate and manufacture certain of our products in plants that we established overseas. In some cases we granted licenses to foreign companies and permitted them to make and market certain of our products in foreign markets. All of these business activities have been helpful to Armco and to the overall American economy.

Historically, our philosophy has been one of responsiveness to the markets we serve. Again, this policy has proven beneficial to our business, and has added dollars to the American trade surplus. We have always tried to make the minimum possible investment in American dollars abroad while bringing back to our shareholders the maximum return on their investment. We found this to be sound business practice. It was, in this respect, also entirely consistent with the objectives of President Johnson's earlier voluntary balance of payments program.

Since the voluntary program in 1965, Armco has cooperated wholeheartedly. During the voluntary and "temporary" measures, we curtailed our dollar capital investments abroad and maximized the return on existing investment to a degree which exceeded the guidelines set forth by that program. As an example, during